Army and Air Force Exchange Service

Serving the best customers in the world!

2004 AAFES Overview

For 108 Years, We've Been There

From sutlers' tents to frontier stores…

Korea, Vietnam…

and today's new challenges

two world wars…

What We Do

- Provide quality goods & services at uniformly low prices...

- and generate reasonable earnings to support the Army and Air Force MWR Programs

AAFES Vision

Be a valued benefit to the military community.

Governing Body

Secretary of the Army

Army Chief of Staff

Secretary of the Air Force

Air Force Chief of Staff

AAFES Board of Directors

Commander, AAFES

Organization

Army | Air Force | Civilian

Sr Enlisted Advisor

CG, CEO

COO

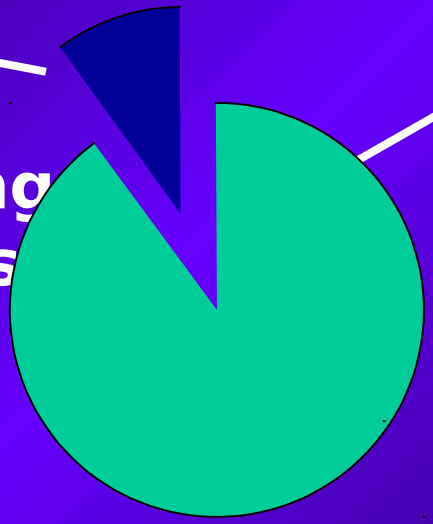
Vice

- Eastern Exchange Region
- Western Exchange Region
- Central Exchange Region
- Pacific Exchange Region
- Europe Exchange Region
- Marketing
- Sales
- Logistics
- Real Estate
- Office of Business Transformation
- Washington Liaison Office
- Inspector General
- General Counsel
- Corporate Compliance Office
- Audit
- EEO
- Procurement
- Human Resources
- Financial Management
- Chief of Staff HQ Support
- Corporate Planning
- Management Information Systems
- Loss Prevention

Who Pays?

Tax Dollars
2%

AAFES Dollars
98%



Overseas shipping
Overseas utilities
Military salaries
Exterior repair
Military phones

Civilian salaries
Store inventories
CONUS utilities
Capital investment
Vehicles
Most distribution cos

Businesses Worldwide

AAFES has more than 6,426 facilities in more than 35 countries and in all 50 states.

- Main Stores
- Shoppettes
- Military Clothing Sales Stores
- Gas Stations
- Fast Food
- Class Six Stores
- Combined Stores
- Deployed Exchanges

They are operated either directly…

- Barber/Beauty Shops
- Optical
- Laundry/Dry Cleaning
- Car Rentals
- Flower Shops
- Commodity Concession

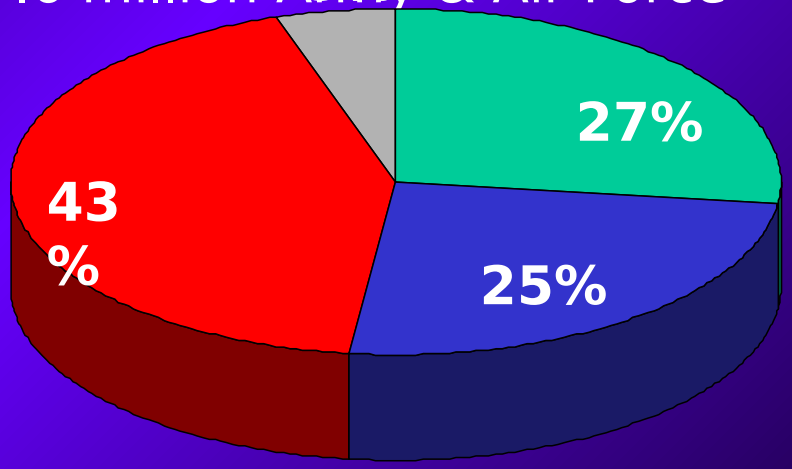
…or via contract with local businesses.

The Company Store

- 153 Main Stores
- 54 Contingency Stores
- 257 Shoppettes
- Over 5,000 Services & Vending
- 190 MCSS
- 776 Specialty Stores
  - CLASS VI
  - Box Office Video
  - Bookmark
- 164 Theaters (3 multi-screen, 1 contracted)
- 1,607 Restaurants (1,268 direct)
- WWW.AAFES.COM
- Catalogs
  - 2 Big Books
  - Supplements

Serving the Best Customers in the World

- 11.5 million eligible customers
  - 7.6 million Army & Air Force

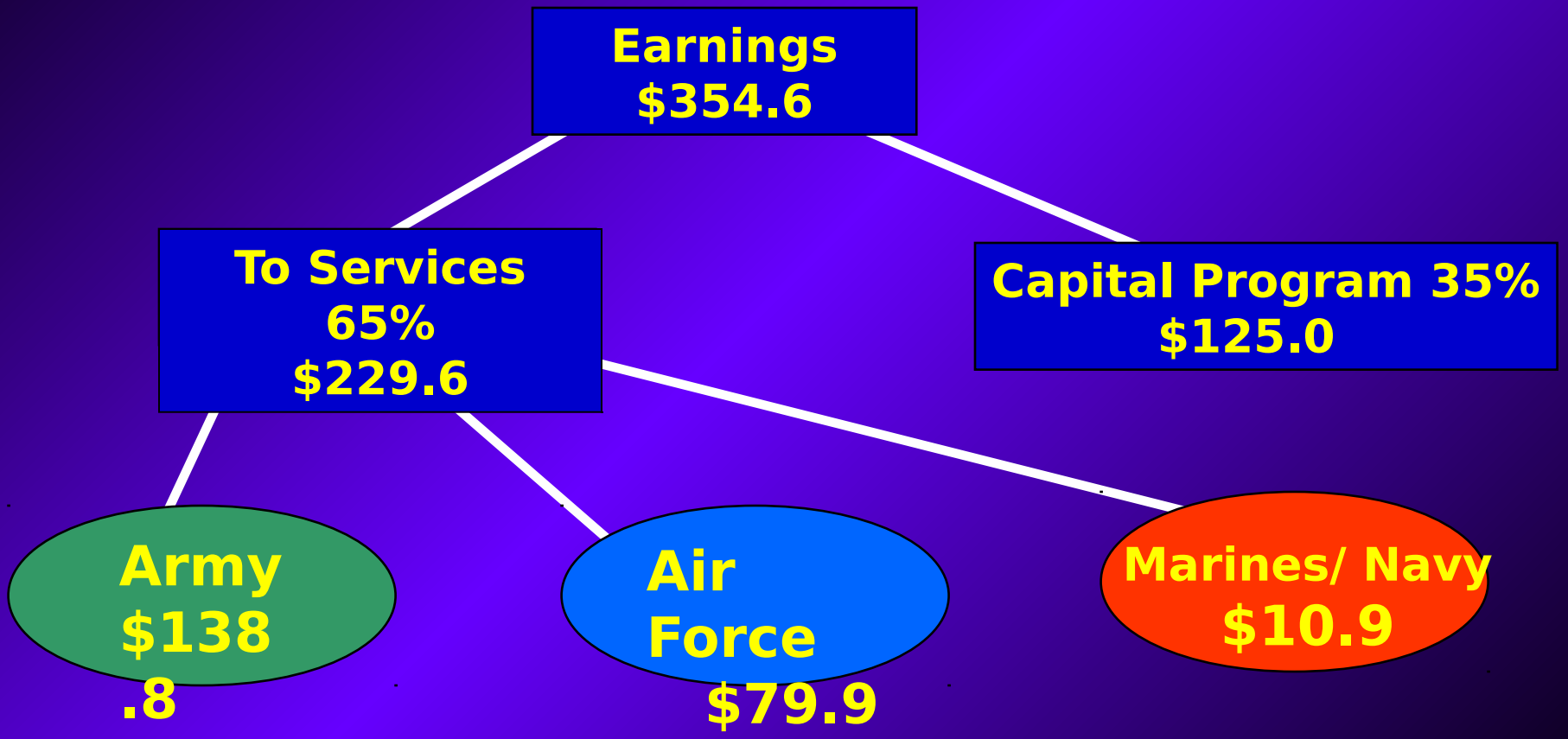


A Snapshot

- $7.8 billion total revenue/ $3.2 billion net worth
- 257th on Fortune 500 (if ranked)
- 4th largest Burger King franchise
- Camp Bondsteel BK voted #2 NBFF on the Travel Channel in 2003
- Anthony’s Pizza would be 13th largest U.S. pizza franchise
- Winner of Popeye’s Gold and Silver Plate awards
- Home Fashion 2004 Retailer of the Year
- National Retail Federation’s American Spirit Award
- Private Label Manufacturer's Association Mass Retailer of the Year Award
- Military Star is 3rd largest private label retail card
- Consumer Electronics Retailer of Year for 3rd consecutive year

MWR Dividend

($'s in Millions)



AAFES Goes Where You Go

Bosnia and Kosovo

Camp Morgan

Eagle Base-Tuzla

Camp Coyote

Butmir

Film City

Camp Bondsteel

Camp Monteith

NATO Skopje

UNCLASSIFIED

Operation Iraqi Freedom

Kuwait

Iraq

Plus 4 sites in Djibouti, UAE and Qatar

Home Away From Home

Proudly Serving Those Who Serve

AAFES and Military Housing Privatization Initiative (MHPI)

Looking Ahead in MHPI

Adapt retail, services & food businesses to support residential communities

- Retail: Traditional convenience store with or without…
  - Gasoline
  - Automatic, wand or coin operated car washes
- Services: Services including but not limited to the following
  - Laundry/Dry Cleaning/Alterations
  - Day Spa/Nail Shop/Tanning Salon
  - Barber/Beauty Shop
- Specialty Services: Including but not limited to the following
  - Mini Storage with RV parking
  - UPS Store

Looking Ahead in MHPI (con't)

Adapt retail, services & food businesses to support residential communities

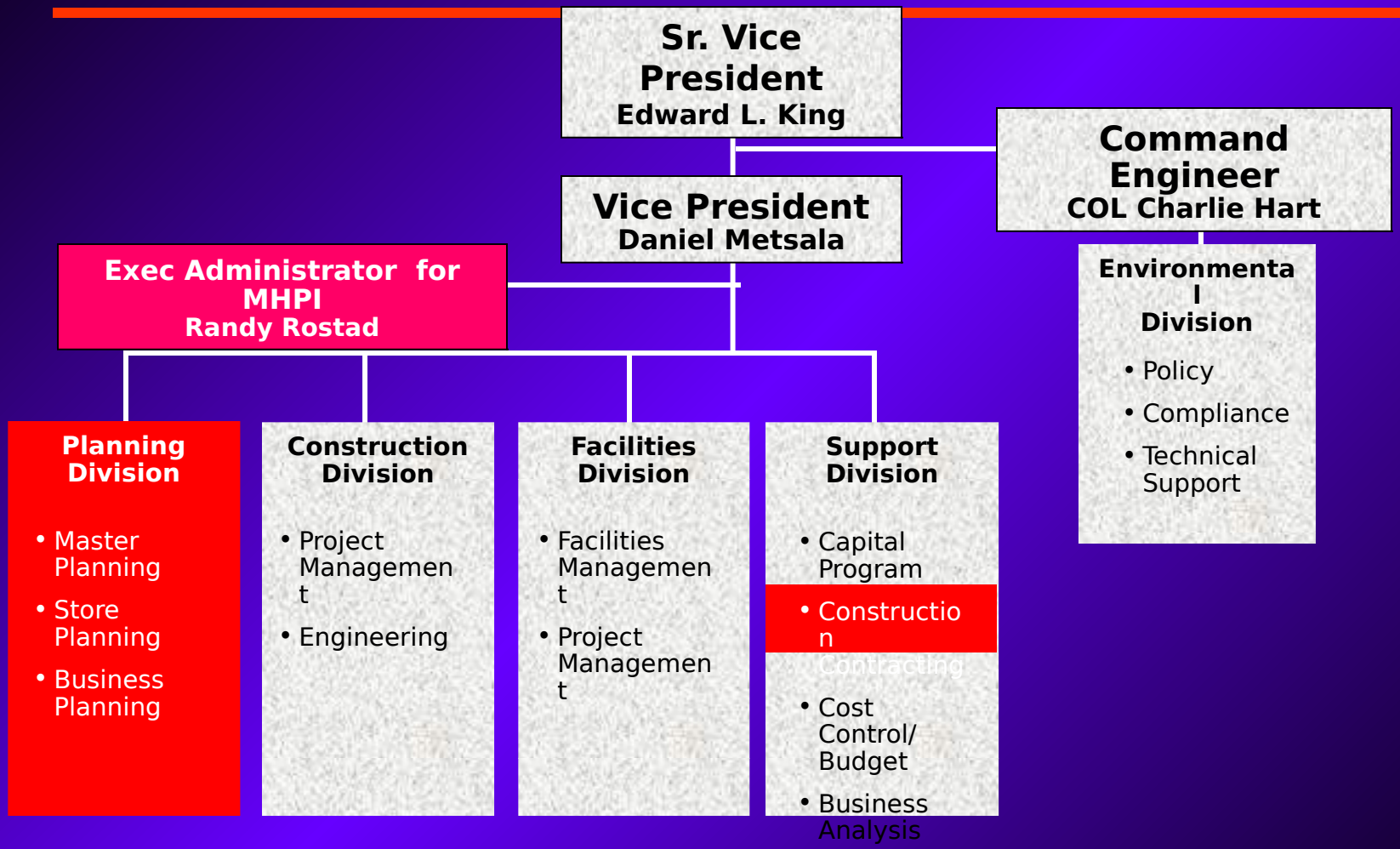
- Vending Machines:
  - Amusement machines
  - Beverage and Snack machines
  - Washers and Dryers (laundry mat)

- Telecommunications:
  - Residential local and long distance phone service
  - Broadband Internet
  - Basic and Premium Television
  - Emerging technologies

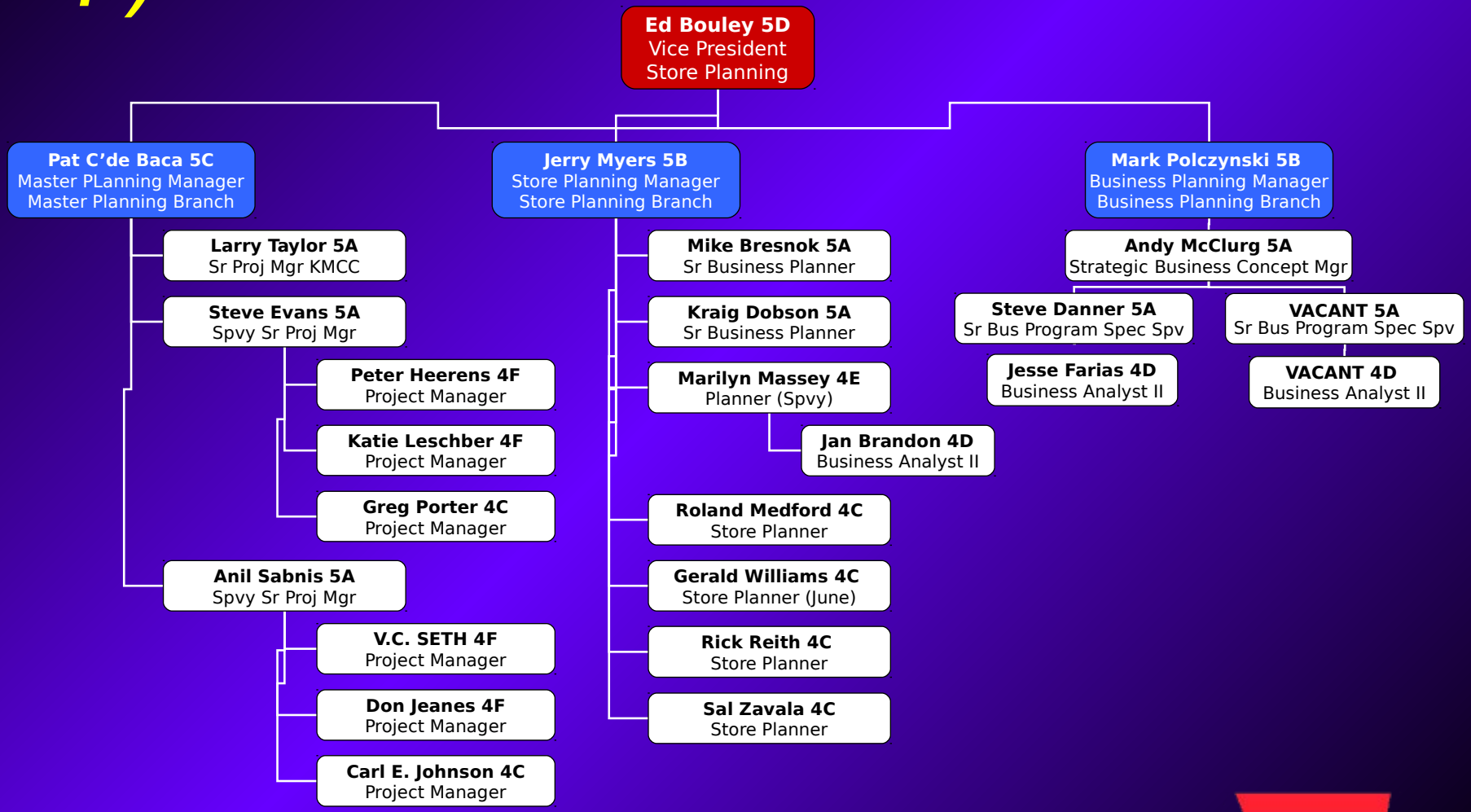
- Food: Name Brand or In-House Branded Fast Food

  (Burger King, Subway, Seattle's Best, Anthony's Pizza, Robin Hood)

Real Estate Directorate



Store Planning Division (RE-P)



10 Basic Steps

- Step #1: Contact: Randy Rostad “rostad@aafes.com”
- Step #2: Coordinated site visit with detailed maps identifying existing and planned residential communities and all AAFES operations.
- Step #3: Identify an AAFES convenience center, existing, pending or new to support each residential community.
- Step #4: Based on the residential community’s location, size and need, utilize the AAFES business matrix to determine the scope of the convenience center. (businesses, square footage, etc)
- Step #5: Based on scope of the convenience center; determine whether new construction or existing/pending space utilization is required.

10 Basic Steps (con't)

- Step #6: Determine best available option for partnering in design/construct/renovation/finish-out of the convenience center.
- Step #7: Include, exclude or amend requirements in RFP as applicable.
- Step #8: Seek necessary approval(s), AAFES Commander/BOD and or Congress.
- Step #9: Sign applicable lease agreement for space utilization or contract for design/construction/renovation/finish-out.
- Step #10: Execute plan as agreed.

Telecommunication POCs

- Craig Sewell, Vice President Services Division
(P) 214-312-4421; email: sewellc@aafes.com
- Yvonne Finch, Consumer Telecom Product Manager
(P) 312-312-4646; email: finch@aafes.com
- Cliff Choy, Senior Services Program Manager
(P) 214-312-3749; email: choy@aafes.com

Telecommunication Services

- Initial Offerings
  - Local & Long Distance, high speed Internet, Basic & Premium Television service
  - 24/7 call in/on-line customer support
- Potential Service offerings
  - Voice over Internet Protocol
  - Wireless services
  - Streaming video and teleconferencing
  - Energy conservation through remote monitoring of utilities and home appliances

Telecommunications: Basic Steps

- Step 1: Initiate meeting with Developer & AAFES after award and prior to development of CDMP
- Step 2: Discuss enhancing quality of life through the offering of state-of-the-art telecommunication services
- Step 3: Determine specific requirements/infrastructure
- Step 4: Identify scope of work for both parties
- Step 5: AAFES solicits and awards contract based on agreed upon requirements
- Step 6: Implement service based on developers timeline

Conclusion

- AAFES is a major contributor towards improving the quality of life for military members and their families

- AAFES has the flexibility, the experience and the resources to partner with the MHPI stakeholders to:
  - Participate in the Project Development Teams
  - Leverage resources to gain efficiencies and realize cost saving for all parties
  - Develop a win-win business solution with an acceptable return for the Air Force, the Developer and for AAFES

QUESTIONS ?